

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

**Independent Auditors' Reports  
Basic Financial Statements and  
Required Supplementary Information  
Schedule of Findings**

**June 30, 2013 and 2012**

# **SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY**

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# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Bob Schubert	Chairperson	City of Marshalltown
Dale Thompson	Vice-Chairperson	City of Ferguson
Ed Tordoff	Member	City of Albion
Marlene Krough	Member	City of Clemons
Alan Graham	Member	City of Collins
Eldon Stanley	Member	City of Gilman
Bill Roads	Member	City of Haverhill
James Happe	Member	City of Laurel
Cheryl Culver	Member	City of LeGrand
John Vry	Member	City of Liscomb
Dennis Grabenbauer	Member	Marshall County
Mike McCann	Member	Marshall County
Marla Grabenbauer	Member	City of Marshalltown
Robert Forbes	Member	City of Marshalltown
Merrill Price	Member	City of Marshalltown
John Cooper	Member	City of Marshalltown
John White	Member	City of Melbourne
Gale Klosterman	Member	City of Rhodes
Bruce Arnold	Member	City of St. Anthony
Dick Postel	Member	City of State Center
Paul Bollmeier	Member	City of Whitten
Joe Robertson	Secretary-Treasurer/Superintendent	



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com  
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report

To the Board Members of the Solid Waste Management  
Commission of Marshall County:

Report on the Financial Statements

We have audited the accompanying financial statements of the Solid Waste Management Commission of Marshall County as of and for the years ended June 30, 2013 and 2012, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solid Waste Management Commission of Marshall County as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2013 on our consideration of the Solid Waste Management Commission of Marshall County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Solid Waste Management Commission of Marshall County's internal control over financial reporting and compliance.

*Bowman & Miller, P.C.*

October 25, 2013

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Solid Waste Management Commission of Marshall County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2013 and 2012. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- ◆ The Commission's operating revenues decreased 6.1%, or \$144,116, from fiscal year 2012 to fiscal year 2013. Gate fees decreased while County and City assessments remained the same.
- ◆ The Commission's operating expenses were 99.0%, or \$778,452, more in fiscal year 2013 than in fiscal year 2012.
- ◆ The Commission's net position increased 7.7%, or \$738,215, from June 30, 2012 to June 30, 2013.

### USING THIS ANNUAL REPORT

The Solid Waste Management Commission of Marshall County is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Solid Waste Management Commission of Marshall County's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statements of Net Position present information on the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position are the basic statements of activities for proprietary funds. These statements present information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statements of Cash Flows present the change in the Commission's cash and cash equivalents during the years. This information can assist readers of the report in determining how the Commission financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE COMMISSION

### *Statements of Net Position*

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position at the end of fiscal year 2013 totaled approximately \$10,376,000. This compares to approximately \$9,638,000 at the end of fiscal year 2012. A summary of the Commission's net assets is presented below.

Net Position		
	June 30,	
	2013	2012
Current assets	\$ 2,163,145	1,455,123
Restricted investments	3,610,933	3,405,475
Noncurrent assets	2,029,766	2,010,997
Capital assets at cost, less accumulated depreciation	3,322,929	3,580,270
Total assets	<u>11,126,773</u>	<u>10,451,865</u>
Current liabilities	99,160	108,427
Noncurrent liabilities	651,696	705,736
Total liabilities	<u>750,856</u>	<u>814,163</u>
Net position, as restated:		
Invested in capital assets	3,322,929	3,580,270
Restricted	4,150,984	3,945,526
Unrestricted	2,902,004	2,111,906
Total net position, as restated	<u>\$ 10,375,917</u>	<u>9,637,702</u>

The largest portion of the Commission's net position (40.0%) is restricted for closure and postclosure care, park development and financial assurance to be able to fund the closure, postclosure and corrective action costs. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (e.g., land, buildings and equipment) portion of net position (32.0%) are resources allocated to capital assets. The remaining portion of net position (28.0%) is unrestricted that may be used to meet the Commission's obligations as they come due.

*Statements of Revenues, Expenses and Changes in Net Position*

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues include interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2013 and 2012 is presented below:

	Changes in Net Position	
	Year ended June 30,	
	2013	2012
Operating revenues:		
Gate fees	\$ 2,064,529	2,213,382
County and city assessments	165,168	165,168
Other operating revenues	5,351	614
Total operating revenues	<u>2,235,048</u>	<u>2,379,164</u>
Operating expenses:		
Salaries	366,609	365,420
Employee benefits	88,911	100,530
Machinery maintenance, labor and parts	64,345	63,809
Oil and gas	110,007	103,654
Long range planning and engineering	56,356	55,702
Site maintenance	127,253	93,743
Site utilities	12,470	11,284
Equipment rent	1,806	1,194
Office expenses	10,478	11,651
Training and travel	2,816	2,627
Public education	33,231	38,344
Legal and accounting	20,656	18,454
Insurance	54,924	54,691
Closure and postclosure care	(54,040)	(789,356)
Planning and recycling	161,365	92,574
Iowa Department of Natural Resources tonnage fees	117,674	127,736
Depreciation	317,327	358,482
Non-capitalized equipment	6,194	12,536
Payroll taxes	29,915	28,303
Commission expense	1,047	1,415
Retirement expense	30,617	29,356
Miscellaneous	4,745	4,105
Total operating expenses	<u>1,564,706</u>	<u>786,254</u>
Operating income	670,342	1,592,910
Non-operating revenues:		
Interest income	<u>67,873</u>	<u>74,588</u>
Change in net position	738,215	1,667,498
Net position beginning of year, as restated	<u>9,637,702</u>	<u>7,970,204</u>
Net position end of year, as restated	<u>\$ 10,375,917</u>	<u>9,637,702</u>

The Statements of Revenues, Expenses and Changes in Net Position reflect a positive year with an increase in net position at the end of the fiscal year.



In fiscal year 2013, operating revenues decreased by \$144,116, or 6.1%, primarily a result of gate fees decreasing by approximately \$148,900 due to a decreased volume of collections from economic conditions and fewer and smaller special projects. Operating expenses increased by \$778,452, or 99.0%. The increase was primarily a result of planning and recycling costs increasing by approximately \$69,000 and the net effect of the adjustment to costs for closure and postclosure care.

### *Statements of Cash Flows*

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes the purchase of capital assets. Cash used by investing activities includes the purchase of certificates of deposit and interest income.

## **CAPITAL ASSETS**

At June 30, 2013, the Commission had approximately \$11,181,000 in capital assets. Accumulated depreciation on capital assets was approximately \$7,858,000, resulting in approximately \$3,323,000 invested in capital assets, net of accumulated depreciation. Depreciation expense totaled \$317,327 and \$358,482 for fiscal years 2013 and 2012, respectively. More detailed information about the Commission's capital assets is presented in Note 4 to the financial statements.

## **LONG-TERM LIABILITIES**

At June 30, 2013, the Commission had \$651,696 in long-term liabilities, a decrease of \$54,040 from June 30, 2012. The table below summarizes the outstanding long-term liabilities by type.

	June 30,	
	2013	2012
Closure and postclosure care cost	\$ <u>651,696</u>	<u>705,736</u>

Additional information about the Commission's long-term liabilities is presented in Note 5 to the financial statements.

## **ECONOMIC FACTORS**

The Solid Waste Management Commission of Marshall County continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities which may potentially become challenges for the Commission to meet are:

- ◆ Facilities at the Commission require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- ◆ Volatility of the recyclables markets and the effect on net processing cost and product throughput volume.
- ◆ Federal and State solid waste legislation and rule revisions and their effect on our current operating costs and long-term closure and postclosure care costs and a dedicated restricted fund to pay for closure and postclosure and corrective costs.
- ◆ New Federal and State mandates require monitoring and control of greenhouse gases.
- ◆ The effect of increasing fuel and energy costs on operations.

The Commission anticipates the current fiscal year will be much like the last. They will continue to maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

### **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Solid Waste Management Commission of Marshall County, 2313 Marshalltown Boulevard, Marshalltown, Iowa.

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Exhibit A

## Statements of Net Position June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 1,999,189	1,305,354
Receivables:		
Accounts	137,904	125,243
Accrued interest	1,060	-
Prepaid insurance	24,992	24,526
Total current assets	<u>2,163,145</u>	<u>1,455,123</u>
Noncurrent assets:		
Restricted investments	3,610,933	3,405,475
Certificates of deposit	2,029,766	2,010,997
Capital assets (net of accumulated depreciation)	3,322,929	3,580,270
Total noncurrent assets	<u>8,963,628</u>	<u>8,996,742</u>
<b>Total assets</b>	<u>11,126,773</u>	<u>10,451,865</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	31,576	26,605
Salaries and benefits payable	34,181	35,390
Accrued liabilities	33,403	46,432
Total current liabilities	<u>99,160</u>	<u>108,427</u>
Noncurrent liabilities:		
Landfill closure and postclosure care	651,696	705,736
Total noncurrent liabilities	<u>651,696</u>	<u>705,736</u>
<b>Total liabilities</b>	<u>750,856</u>	<u>814,163</u>
<b>Net position, as restated</b>		
Invested in capital assets	3,322,929	3,580,270
Restricted for:		
Park development and maintenance	61,880	61,762
Closure and postclosure care	3,549,053	3,343,713
Financial assurance dedicated fund	540,051	540,051
Unrestricted	2,902,004	2,111,906
<b>Total net position, as restated</b>	<u>\$ 10,375,917</u>	<u>9,637,702</u>

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

Exhibit B

**Statements of Revenues, Expenses and  
Changes in Net Position  
Years ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Gate fees	\$ 2,064,529	2,213,382
County and city assessments	165,168	165,168
Other operating revenues	5,351	614
Total operating revenues	<u>2,235,048</u>	<u>2,379,164</u>
Operating expenses:		
Salaries	366,609	365,420
Employee benefits	88,911	100,530
Machinery maintenance, labor and parts	64,345	63,809
Oil and gas	110,007	103,654
Long range planning and engineering	56,356	55,702
Site maintenance	127,253	93,743
Site utilities	12,470	11,284
Equipment rent	1,806	1,194
Office expenses	10,478	11,651
Training and travel	2,816	2,627
Public education	33,231	38,344
Legal and accounting	20,656	18,454
Insurance	54,924	54,691
Closure and postclosure care	(54,040)	(789,356)
Planning and recycling	161,365	92,574
Iowa Department of Natural Resources tonnage fees	117,674	127,736
Depreciation	317,327	358,482
Non-capitalized equipment	6,194	12,536
Payroll taxes	29,915	28,303
Commission expense	1,047	1,415
Retirement expense	30,617	29,356
Miscellaneous	4,745	4,105
Total operating expenses	<u>1,564,706</u>	<u>786,254</u>
Operating income	670,342	1,592,910
Non-operating revenues:		
Interest income	<u>67,873</u>	<u>74,588</u>
Change in net position	738,215	1,667,498
Net position beginning of year, as restated	<u>9,637,702</u>	<u>7,970,204</u>
Net position end of year, as restated	<u>\$ 10,375,917</u>	<u>9,637,702</u>

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Exhibit C

## Statements of Cash Flows Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from gate fees	\$ 2,051,868	2,221,163
Cash received from assessments	165,168	165,168
Cash received from other operating receipts	5,351	614
Cash paid to suppliers for goods and services	(854,423)	(752,329)
Cash paid to employees for services	(456,729)	(451,186)
Net cash provided by operating activities	<u>911,235</u>	<u>1,183,430</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	<u>(59,986)</u>	<u>(462,100)</u>
Net cash used by capital and related financing activities	<u>(59,986)</u>	<u>(462,100)</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(18,770)	(322,637)
Purchase of restricted investments	(205,457)	(209,857)
Interest received	66,813	74,588
Net cash used by investing activities	<u>(157,414)</u>	<u>(457,906)</u>
Net increase in cash and cash equivalents	693,835	263,424
Cash and cash equivalents beginning of year	<u>1,305,354</u>	<u>1,041,930</u>
Cash and cash equivalents end of year	\$ <u><u>1,999,189</u></u>	<u><u>1,305,354</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ <u>670,342</u>	<u>1,592,910</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	317,327	358,482
Closure and postclosure care	(54,040)	(789,356)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(12,661)	7,781
(Increase) decrease in prepaid insurance	(466)	(6,170)
Increase (decrease) in accounts payable	4,971	(13,710)
Increase (decrease) in salaries and benefits payable	(1,209)	14,764
Increase (decrease) in accrued liabilities	(13,029)	18,729
Total adjustments	<u>240,893</u>	<u>(409,480)</u>
Net cash provided by operating activities	\$ <u><u>911,235</u></u>	<u><u>1,183,430</u></u>

See notes to financial statements.

# **SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY**

## **Notes to Financial Statements June 30, 2013 and 2012**

### **(1) Summary of Significant Accounting Policies**

The Solid Waste Management Commission of Marshall County was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain a solid waste facility in Marshall County on behalf of the units of government that are members of the Commission and for use by all residents of the County.

The Commission is composed of at least one representative from each of the sixteen member municipalities, except that Marshalltown shall have at least two voting representatives. The member municipalities are: Albion, Clemons, Collins, Ferguson, Gilman, Haverhill, Laurel, LeGrand, Liscomb, Marshall County, Marshalltown, Melbourne, Rhodes, St. Anthony, State Center and Whitten. Each member is entitled to one vote for each 1,500 people or fraction thereof as determined by the most recent general Federal Census.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity**

For financial reporting purposes, the Solid Waste Management Commission of Marshall County has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Solid Waste Management Commission of Marshall County has no component units which meet the Governmental Accounting Standards Board criteria.

#### **B. Basis of Presentation**

The accounts of the Solid Waste Management Commission of Marshall County are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

# **SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY**

## **Notes to Financial Statements (Continued) June 30, 2013 and 2012**

### **(1) Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus and Basis of Accounting**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **D. Assets, Liabilities and Net Position**

The following accounting policies are followed in preparing the Statements of Net Position:

Cash, Investments and Cash Equivalents – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2013 and 2012 include certificates of deposit of \$5,640,699 and \$5,416,472, respectively.

Accounts Receivable – Accounts receivable represent amounts billed for waste disposal services at June 30, 2013 and 2012. Due to the Commission's policy to deny continued service to customers with past due bills, management believes uncollectible accounts are negligible. Therefore, no allowance for uncollectible accounts has been recorded.

Restricted Investments – Funds set aside for payment of closure and postclosure care costs and financial assurance for unfunded costs are classified as restricted. In addition, funds have been set aside for the development of a county park upon closure of the landfill.

# **SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY**

## **Notes to Financial Statements (Continued) June 30, 2013 and 2012**

### **(1) Summary of Significant Accounting Policies (Continued)**

#### **D. Assets, Liabilities and Net Position (Continued)**

**Capital Assets** – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of \$5,000. Capital assets of the Commission are depreciated using the straight-line method over the estimated useful lives of the assets. Buildings are amortized over thirty years, land improvements over fifteen years, the leachate system over thirty years and equipment is depreciated over a five to ten year life.

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2013 and 2012.

**Compensated Absences** – Commission employees accumulate a limited amount of earned but unused sick and vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated sick and vacation hours has been computed based on rates of pay in effect at June 30, 2013 and 2012.

### **(2) Cash and Investments**

The Commission's deposits in banks at June 30, 2013 and 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.



# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## Notes to Financial Statements (Continued) June 30, 2013 and 2012

### (3) Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the Commission is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$30,617, \$29,356 and \$23,641, respectively, equal to the required contributions for each year.

### (4) Capital Assets

A summary of capital assets at June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land and improvements	\$ 750,944	-	-	750,944
Capital assets being depreciated:				
Land development costs	6,459,159	869	-	6,460,028
Buildings	255,016	-	-	255,016
Equipment and vehicles	2,941,672	59,117	-	3,000,789
Leachate system	714,482	-	-	714,482
Total capital assets being depreciated	10,370,329	59,986	-	10,430,315
Less accumulated depreciation for:				
Land development costs	4,555,095	130,051	-	4,685,146
Buildings	237,081	8,444	-	245,525
Equipment and vehicles	2,393,584	155,016	-	2,548,600
Leachate system	355,243	23,816	-	379,059
Total accumulated depreciation	7,541,003	317,327	-	7,858,330
Total capital assets being depreciated, net	2,829,326	(257,341)	-	2,571,985
Total capital assets, net	\$ 3,580,270	(257,341)	-	3,322,929

# **SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY**

## **Notes to Financial Statements (Continued) June 30, 2013 and 2012**

### **(5) Closure and Postclosure Care**

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a federal and state approved cap to contain and keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Solid Waste Management Commission of Marshall County have been estimated at \$3,393,500 for closure care and \$96,300 and \$1,251,000 for postclosure care for Area A and Area B, respectively, for a total of \$4,740,800 as of June 30, 2013, and the portion of the liability that has been recognized is \$651,696. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2013. Actual costs may be higher due to inflation, changes in technology or changes in regulations. During the years ended June 30, 2013 and 2012, the total amount of waste disposed of at the facility was 35,659 and 38,708 tons, respectively, and the estimated remaining capacity of the landfill at June 30, 2013 was 2,519,460 tons.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2013, assets of \$3,549,053 are held for these purposes in a dedicated trust fund. The Board has also designated \$540,051 in other investments to the financial assurance dedicated fund for closure and postclosure care. They are reported as restricted investments and restricted net position on the Statements of Net Position.

# **SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY**

## **Notes to Financial Statements (Continued) June 30, 2013 and 2012**

### **(5) Closure and Postclosure Care (Continued)**

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Commission must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over the permitted life of the landfill
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the Commission to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism. The amount of funds restricted for the both the years ended June 30, 2013 and 2012 was \$540,051.

### **(6) Risk Management**

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are

# **SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY**

## **Notes to Financial Statements (Continued) June 30, 2013 and 2012**

### **(6) Risk Management (Continued)**

maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member.

As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Commission's contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's annual contribution to the Pool for the years ended June 30, 2013 and 2012 was \$18,849 and \$18,484, respectively.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation in the amount of \$1,000,000. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# **SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY**

## **Notes to Financial Statements (Continued) June 30, 2013 and 2012**

### **(7) Solid Waste Tonnage Fees Retained**

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

As of June 30, 2013 and 2012, the Commission had no unspent amounts retained and restricted for the required purposes.

### **(8) Recyclable Materials Processing, White Goods Recycling and Public Education Agreements**

The Commission entered into a recycling agreement with MIW, Inc. (the Company). The agreement is for the purpose of reducing the amount of tonnage entering the Commission's landfill operation and provides for payment of an amount per ton for the processing of recyclables at a processing facility maintained by the Company. The agreement is for a period of six years beginning January 1, 2010 and the formula used to calculate the processing fee will be reviewed every two years. The amount paid to the Company for the years ending June 30, 2013 and 2012 was \$116,844 and \$33,508, respectively.

The Commission has entered into an agreement with Moor's Salvage and Recovery (the Contractor) to provide for the legal and safe removal, processing, and disposal of white goods (appliances) brought to the landfill. The contract is for a period of four years beginning January 1, 2012, and the cost of removal is \$8 per appliance. The amount paid to the Contractor for the years ended June 30, 2013 and 2012 was \$9,840 and \$9,318, respectively.

The Commission has entered into a contract with Metro Waste Authority (MWA) for the collection of household hazardous waste from the landfill. The contract runs through June 30, 2016. The amount paid to MWA for the years ended June 30, 2013 and 2012 was \$34,990.

The Commission also enters into an annual agreement with Iowa Valley Community College District (IVCCD) to provide financial support for a part-time position whose purpose is to provide waste and recycling education in the Commission's service area.

### **(9) Commitment**

In March, 2013, the Commission entered into a construction contract in the amount of \$345,905 for the abutment liner of Areas B4-3, B4-4, and B4-5. As of June 30, 2013, no payments had been made on the project.

### **(10) Prior Period Adjustment**

Net position at the beginning of 2013 has been restated to reflect a change in the closure and postclosure care liability. The restatement effectively increased net position by \$470,397.

### **(11) Date of Management Evaluation**

Management has evaluated subsequent events through October 25, 2013, the date on which the financial statements were available to be issued.



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on Audits of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board Members of the Solid Waste Management  
Commission of Marshall County:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Solid Waste Management Commission of Marshall County as of and for the years ended June 30, 2013 and 2012, and the related Notes to Financial Statements, and have issued our report thereon dated October 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Solid Waste Management Commission of Marshall County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Solid Waste Management Commission of Marshall County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Solid Waste Management Commission of Marshall County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Solid Waste Management Commission of Marshall County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in the Solid Waste Management Commission of Marshall County's internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Solid Waste Management Commission of Marshall County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the years ended June 30, 2013 and 2012 are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the Commission. Since our audits were based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Solid Waste Management Commission of Marshall County's Responses to Findings

The Solid Waste Management Commission of Marshall County's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Solid Waste Management Commission of Marshall County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part on an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Solid Waste Management Commission of Marshall County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman and Miller, P.C.*

October 25, 2013

# **SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY**

## **Schedule of Findings Years ended June 30, 2013 and 2012**

### **Findings Related to the Financial Statements:**

#### **INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. Due to a limited number of personnel performing accounting functions, the Commission does not have adequate segregation of duties over accounting transactions. As a result of this condition, there is a higher risk that errors or misappropriations could occur and not be detected within a timely period.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – Due to the limited number of office employees, segregation of duties is very difficult. We will consider ways to mitigate the lack of segregation of duties wherever possible.

Conclusion – Response accepted.

#### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

### **Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Expenses – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Commission's minutes but were not.
- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.
- (5) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.



# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## Schedule of Findings (Continued) Years ended June 30, 2013 and 2012

- (6) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 4,740,800
Less: Balance of funds held in the local dedicated fund at June 30, 2012	<u>(3,883,764)</u>
	857,036
Divided by the number of years remaining in the pay-in period (rounded)	<u>÷ 66</u>
Required payment into the local dedicated fund for the year ended June 30, 2013	12,984
Balance of funds held in the local dedicated fund at June 30, 2012	<u>3,883,764</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2013	\$ <u>3,896,748</u>
Amount Commission has restricted for closure and postclosure care at June 30, 2013:	
Restricted Trust Fund	3,549,053
Board designated funds held in local dedicated fund	<u>540,051</u>
	\$ <u>4,089,104</u>

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

**Staff**

This audit was performed by:

**BOWMAN & MILLER, P.C.**  
Certified Public Accountants  
Marshalltown, Iowa

**Personnel:**

**Elizabeth A. Miller, CPA, Partner**  
**Nathan P. Minkel, CPA, Partner**  
**Diana S. Swanson, Staff**